

Credit Foncier

103rd Annual Report
1983



Financial Highlights

Results for the year	Year ended October 31,	
	1983	1982
Net operating income	\$ 9 433 000	\$ 4 868 000
Other income	1 222 000	3 475 000
Net earnings for the year	\$ 10 655 000	\$ 8 343 000
Balance sheet		
Total assets	\$ 2 743 314 000	\$ 2 539 697 000
Deposits and securities	563 989 000	458 260 000
Mortgages	2 019 404 000	1 926 400 000
Short-term certificates	526 747 000	389 692 000
Medium-term certificates	2 036 077 000	1 971 266 000
Shareholders' equity	124 668 000	117 998 000
Per share		
Net operating income	\$ 10.03	\$ 5.27
Other income	1.30	3.76
Net earnings for the year	\$ 11.33	\$ 9.03
Shareholders' equity	\$ 132.60	\$ 125.50

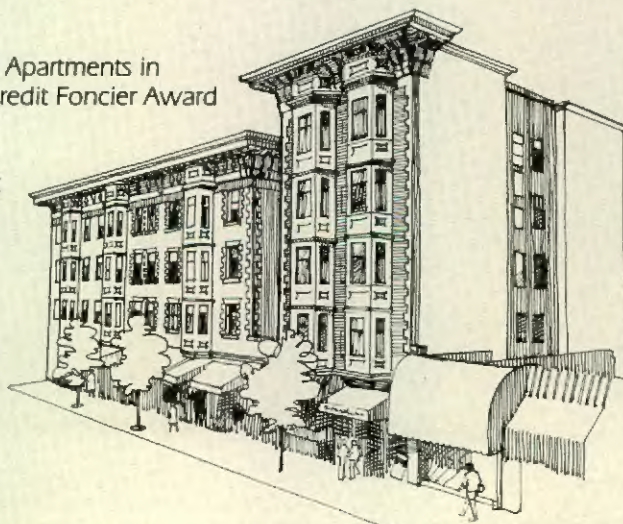
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The photograph on the cover of this report is of the Manhattan Apartments in Vancouver, British Columbia, the winning project of the 1983 Credit Foncier Award for building preservation.

Created three years ago to mark the 100th Anniversary of Credit Foncier, the Award has had four winners (two co-winners in 1982) and eight Honourable Mentions. A pictorial history of the winners and honourable mentions of the Award is depicted on subsequent pages.

The degree of success with which the Award has been met ensures that it will be representative of Credit Foncier's commitment in this area for many years to come.



Report from the Chairman of the Board and Chief Executive Officer



When some of last year's economic forecasts are compared with today's reality, the least one can say is that the crystal ball of economists is somewhat lacking in transparency. In saying this, I have in mind the fact that the annual speech delivered to shareholders by a financial institution's chief executive officer traditionally includes opinions on changes to the economy; I therefore propose to approach the question cautiously and delicately.

Even if at the end of 1982 hopes for an economic recovery in Canada had been well-founded, few economists would have ventured to predict such a strong jump in real growth for the Canadian economy. At the time, there was much scepticism about the chances of success for the Federal Government's fight against inflation, known as its "6 and 5 program." At best, several seasoned analysts predicted an inflation rate of approximately 7.5% for 1983. However, the "6 and 5 program" was quite successful, and the year reported a significant drop in inflation to levels which had not been reached for many years.

As for interest rates, forecasts in early 1983 were mixed. Certain economists predicted a drop in the prime rate to 9%, while pessimists talked of an increase to 13 or 14%. In fact, the prime rate reached 11% as early as April of 1983 and has remained stable ever since.

Overall, 1983 was a year of strong recovery, which stemmed from an increase in consumer spending, significant gains in residential construction and a major surplus in our trade balance.

The new year is, therefore, off on a positive note. The construction industry should be able to maintain a brisk pace, consumer spending will jump by 3 to 4% in real terms, and corporate profits will return to the levels enjoyed prior to the recession.

Interest rates will again this year be greatly affected by the financing of government deficits, both Canadian and American. However, inasmuch as the inflation rate remains as low as it was in the last quarter of 1983, interest rates are not likely to change significantly, although during the U.S. election period they might decrease temporarily for a few months.

Within such an economic context, 1984 should be quite positive for Credit Foncier and its subsidiaries. The financial statements presented today indicate a major improvement when compared with the previous year. Net income for 1983 totalled \$10.6 million, up from \$8.3 million in 1982. Earnings before income taxes reported the most significant change, with a marked increase in the gross profit margin and substantial improvement in our matching of maturities. As for the Montreal City and District Trustees, results for the year were also excellent: net income totalled \$833,000 in 1983 compared with a loss of \$130,000 in 1982.

I will not go into further detail concerning our financial statements, as these will be discussed by Michel Lessard, the President and Chief Operating Officer. I simply wish to point out that on the whole 1983 was most positive and we look forward to 1984 with a great deal of optimism.

The only dark cloud on the horizon, and one which is not drifting over Credit Foncier alone, is the persistent rumour of changes to the interest laws which would enable individuals to redeem a mortgage loan before maturity with a penalty of 3 months' interest, irrespective of the period left on the term of the loan. This penalty might be sufficient on 1-year mortgage loans; it is, however, quite another matter when applied to longer-term loans.

Lending institutions have gone to great lengths to match the maturities of their deposits with those of their mortgage loans. If borrowers with three-, four- or five-year terms are allowed to pay off their loans unilaterally with a three-month penalty, financial institutions will no longer be able to assume the risk of granting mortgage loans with longer terms.

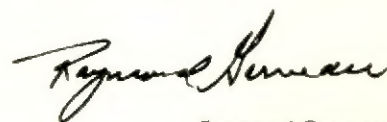
Should this rumour be confirmed, and it is one being circulated in Federal Government circles, it will greatly modify mortgage financing for individuals. If borrowers are allowed to renegotiate their loans and bearers of long-term deposit certificates hold on to their investments at high rates, business will, of course, falter during times of falling interest rates. As such, the risk for financial institutions would become unjustifiable. One can easily appreciate the importance of this matter for all lenders and borrowers.

In a different connection, Credit Foncier's Board of Directors held major meetings in Calgary and Vancouver for the first time in its history. This proved to be a good opportunity for the Board to meet the members of the financial community of both cities and establish contact with the Company's clientele. Owing to the wide coverage given by the media, these events represented an excellent public relations operation for Credit Foncier.

We also discovered that some were unaware that Credit Foncier has been operating in Western Canada ever since the end of the last century. Indeed, although the Company's office building in Vancouver was constructed in 1914, we opened our first branch office in that city in 1893. I would add that we have branches in five different municipalities throughout British Columbia. As for Alberta, we have had operations in Edmonton since 1905 and in Calgary for over 30 years now. The Board of Directors' trip to Western Canada therefore enabled us to point out to our clients these important dates in our history and underline the role which Credit Foncier has played, and which it continues to play, in the economic development of Western Canada.

On the basis of the successful results of the operation, we plan to repeat the exercise in other regions of Canada during the coming years.

In closing, I wish to extend warm thanks to all the members of the Board of Directors of Credit Foncier and its subsidiary for their availability and close cooperation during the year. Without their support and expert advice, this year's results would certainly not have been as successful. I would also like to thank our officers and all our employees for having so skillfully met the challenge of growth and profitability of our operations. Thanks to the support, professionalism and loyalty of our entire personnel, we can look to the future with confidence.



Raymond Gameau

252-264 Adelaide St., Toronto, Ontario
Winner of the 1981 Credit Foncier Award



Report from the President and Chief Operating Officer



The operating results for our 103rd financial year are encouraging in a quantitative as well as in a qualitative sense. In fact, we experienced a major improvement in the gross financial margin earned on our financial intermediary operations while achieving tighter matching and a marked reduction of the arrears on our loans and investments; as well, we successfully addressed the redevelopment of our real estate portfolio and, at the same time, made further progress in operations support and control.

Financial Results

Consolidated net earnings for the year rose to \$10,655,000 or \$11.33 per share, an improvement of 27.7% over the results of the preceding year, which were \$8,343,000 or \$9.03 per share. These results include other income, net of taxes, of \$1,222,000 in 1983 versus \$3,475,000 in 1982, resulting from the disposal of shares and real estate properties held for long-term investment.

Net operating income, excluding other income, thus attained a level of \$9,433,000 in 1983, a new high and an increase of 93.8% compared with the \$4,868,000 earned in 1982. These results reflect, above all, an improvement in the gross financial margin earned on our assets, rather than asset growth.

Consolidated assets totalling \$2,743,314,000 on October 31, 1983 reflect a growth of 8.0% or \$203,617,000 for the financial year. The major sources of this growth were two-fold: mortgage loans which accounted for \$93,004,000 and deposits and short-term securities for \$90,618,000. This is not indicative of the availability of opportunities during the year, but rather it reflects the internal priorities which we judged to be critical to our long-term development.

Shareholders' equity rose to \$124,668,000 or \$132.60 per share at the end of the year compared with \$117,998,000 or \$125.50 per share on October 31, 1982. This growth is most satisfying; it reflects, on the one hand, an improvement in our profitability and, on the other, a reduction in dividends paid from \$6,700,000 in 1982 to \$3,985,000 in 1983. This dividend level represents 37.4% of consolidated net earnings; it strengthens the ability of our Corporation to self-finance its growth and development to a greater degree than before.

Matching

Our policy still remains one of stabilizing the gross financial margin earned on financial intermediary operations by matching maturities and rate determination dates for both assets and liabilities. This policy applies as much to investments on which yields fluctuate with short-term interest rates as it does to those earning fixed interest rates for a fixed term.

Our matching situation on October 31, 1983 was such that 1984 asset maturities exceeded by less than \$18 million, or 1.4%, the \$1.3 billion of debt maturing in the same year. A comparable equilibrium level existed for assets with a term longer than one year, taken as a whole. The distribution on an annual basis of these same maturities is equally satisfying, except for the difference of almost 5.2% for the 1985 financial year.

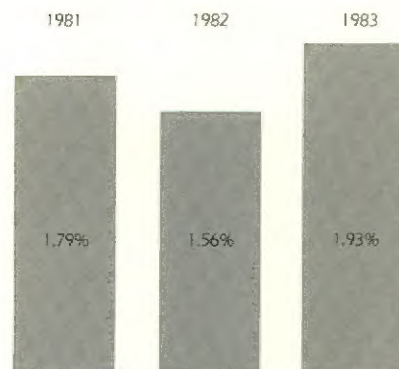
In 1983, we successfully implemented systems allowing us to monitor, weekly, the matching on a monthly basis of our assets and liabilities. We are encouraged by the results; they should inspire confidence in all who invest in our term deposits. During 1984, we aim to achieve an even tighter monthly matching as well as to pursue our systems improvements so as to better anticipate upcoming events in our planning.

Interest Margins

Matching does not by itself generate satisfactory financial margins. These are the result of investment objectives as regards both yield and business volume, given our matching and profitability policies. As for us, we chose to protect our margins rather than offset reductions in margins by an increased volume of investments, since we are convinced that only through this approach will we obtain superior profitability over the long term.

From this perspective, the results are encouraging. Indeed, the gross financial margin earned on our assets, after deduction of financial expenses, rose to 1.93% on a taxable equivalent basis in 1983 compared with 1.56% in the preceding year and 1.79% in 1981. This significant recovery, as well as our tighter matching, was helped by the high volume of loans maturing in the year.

Gross Interest Margin



Mortgage Loans

Mortgage loans remain Credit Foncier's largest asset category, representing 73.6% of total assets as at October 31, 1983. The portfolio totals \$2,019,404,000, a 4.8% increase over October 31, 1982. More than 46% of the value of the portfolio is insured either by Canada Mortgage and Housing Corporation (C.M.H.C.) or by non-governmental mortgage insurance companies.

The dominant achievement of the 1983 financial year was certainly the marked reduction in loan arrears, thanks to the recovery of the Canadian economy as well as to the sustained efforts of our personnel. Nevertheless, the situation in Western Canada, particularly in Alberta, remains difficult; however, we are confident that 1984 will bring major improvements in the fortunes of this part of the country.

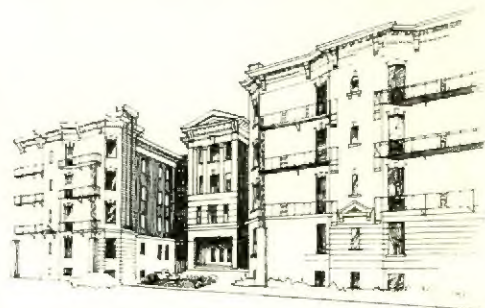
The Station, Vancouver, British Columbia
Honourable Mention 1981 Credit Foncier Award



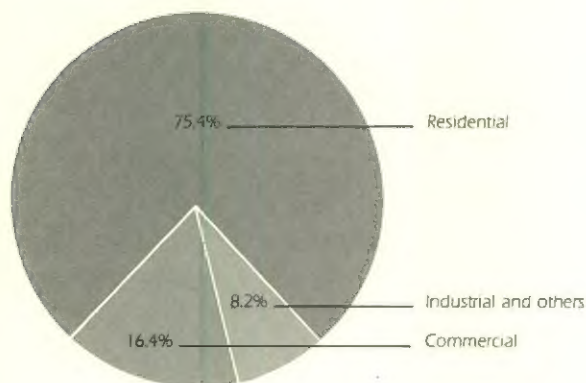
A.H. Murray premises, St. John's, Newfoundland
Honourable Mention 1981 Credit Foncier Award



Le Marchand Mansion, Edmonton, Alberta
Honourable Mention 1981 Credit Foncier Award

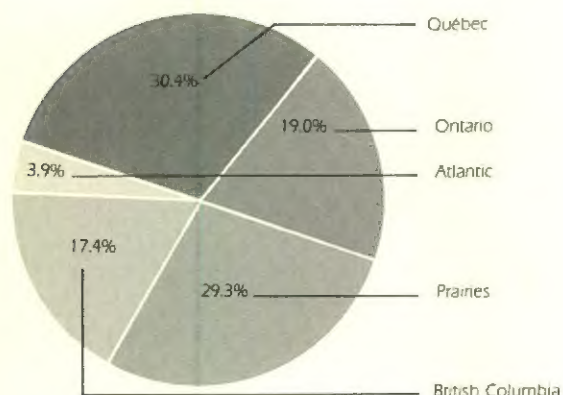


**Mortgage portfolio
by category**



Losses realized during the year amounted to \$2,411,000 versus \$3,507,000 in 1982. These losses are charged to a loan loss reserve funded by appropriations taken annually against the operating results of the year. These appropriations reflect the experience of the past five years as well as management's assessment of the current situation. Under the circumstances, we increased the appropriation from \$1,420,000 in 1982 to \$2,630,000 in 1983, or 87% higher than the minimum required by our policies, thus augmenting the level of our reserves.

**Mortgage portfolio
by region**



In 1983, we continued to emphasize loans on residential properties, particularly income properties, although we increased our efforts in the area of commercial and industrial properties as well. On October 31, 1983, 75.4% of our portfolio was backed by security of a residential nature, 16.4% by commercial properties and office buildings and 8.2% by industrial and other properties.

The 1983 economic context brought about a significant reduction in the percent of approvals emanating from the Western Provinces. Our presence in the major urban centers of the country allowed us to capitalize on the opportunities available in the Ontario and Quebec Regions, which contributed more than 63% of the year's approvals. At the end of the year, our mortgage loan portfolio was distributed among the major regions of Canada as follows: 17.4% in British Columbia, 29.3% in the Prairies, 19.0% in Ontario, 30.4% in Quebec and 3.9% in the Atlantic Provinces.

Securities

The Corporation's investment in securities reached \$563,989,000 as at October 31, 1983, some 23.1% or \$105,729,000 greater than at the end of the previous year. Included in these portfolios are investments arising from private placements undertaken directly or in participation with other financial institutions.

At the end of the financial year, short-term deposits and investments totalled \$266,734,000 for an increase of 51.5% over the previous year. At the same date, the bond portfolios amounted to \$167,420,000 for a growth of 6.2%.

The stock portfolios comprise \$109,100,000 in preferred shares and \$20,700,000 in common shares. Over 68% of the value of these portfolios was made up of investments subject to our matching policies. The balance of these securities represent long-term investments; as at October 31, 1983, their market value exceeded their cost by more than \$5,300,000.

Savings Services



Our national branch network allows us to offer our financial services to a continually growing clientele of over 165,000 Canadian investors from coast to coast. Over 70,000 clients have invested in our Registered Retirement Savings Plans or Registered Home Ownership Savings Plans; some of them have joined close to 100,000 other clients who have taken advantage of our other services by investing in Guaranteed Investment Certificates, debentures and short term investments.

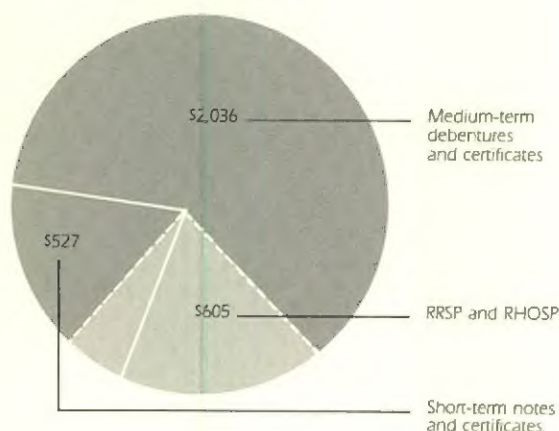
Volatile interest rates in the past several years have led us to pursue a closer matching of the maturities of both our assets and liabilities. As a result, Credit Foncier now offers special terms, i.e., terms other than the standard 1 to 5 years. These terms often differ by only a few months from the closest full year and earn special rates of interest which are often significantly higher than our regular schedule. Our systematic use of rate advertising in daily newspapers across the country keeps the general public aware of our savings products and of the current returns available.

Our eighteen branches across the country are designed to efficiently accommodate the needs of our clients in an atmosphere of privacy and personal service.

Credit Foncier and Credit Foncier Trust are both members of Canada Deposit Insurance Corporation and registered institutions with the Quebec Deposit Insurance Board.



**Distribution of deposits
by category**
(in millions of \$)



Financing

The principal source of our funding is our retail clientele, made up of more than 165,000 investors, individuals and small businesses throughout the country. In this regard, it is appropriate to point out that during 1983 the Prairie Region posted our strongest growth in deposits at 16.2%, followed closely by the Ontario Region.

The growth of our debt in 1983 came largely from short-term financing, which rose to \$526,747,000 at the end of the year, for an increase of 35.2%. More than 60% of this amount is held by our retail clientele in the form of registered savings plan deposits and short-term deposits.

The level of our medium-term debt having an initial term of one year or more amounted to \$2,036,077,000 on October 31, 1983. This amount includes balances of \$510,000,000 held in Registered Retirement and Home Ownership Savings Plans which total some \$605,000,000. During 1983, the consumer continued to favour shorter terms, although to a lesser extent than during the previous financial year.

The Trustees

The Montreal City and District Trustees Limited, a wholly-owned subsidiary of Credit Foncier since November 1979, is managed autonomously and is not integrated with Credit Foncier. However, this does not prevent close contact and coordination regarding policies and

objectives. This trust company offers its clientele in the Montreal region a wide range of financial services, including mortgage loans, guaranteed investments and registered savings plans, as well as trustee services, in particular portfolio management and estate planning.

On October 31, 1983, the assets of the Trustees amounted to \$320,180,000. As well, it had under administration estates, trusts and agencies totalling \$146,763,000, bringing the value of total managed assets to \$466,943,000.

Net profit for the year, before dividends paid on preferred and common shares, rose to \$833,000 and included net profit of \$27,000 on the sale of shares. These results are particularly encouraging; they represent a major improvement over the results of the previous year, which had been quite a difficult one. Asset and liability matching, measured on a quarterly basis, was in close equilibrium at the end of the financial year; this allows us to look forward with confidence to continued improvement over the coming years in the gross financial margin.

Real Estate Investments

Our balance sheet shows real estate investments of \$143,168,000. Approximately \$16,000,000 of this amount is represented by properties held for resale at an opportune time, depending on market conditions and the development stage of each property.

The balance of approximately \$127,000,000 represents properties held for long-term investment as a diversification of shareholders' equity. The market value of these investments exceeds their book value. Indeed, the results of this year include, under the category "other income," after-tax profits of \$1,655,000, representing the net gains received during the year on the sale of properties.

The Popliger, Montreal, Quebec
Co-Winner of the 1982 Credit Foncier Award



Mortgage Lending



Multiple Residential Renovation project — Vancouver, B.C.

We are one of Canada's largest mortgage lenders and we have played an increasingly important role in the development of communities throughout the country since our founding in 1880. Our national branch network has allowed us to diversify our lending geographically and shift our regional emphasis in accordance with economic activity.

We provide mortgage financing to national and local home builders, both large and small, and as well, in conjunction with CMHC, for a number of nonprofit and other housing projects. We are particularly active in financing subdivision and condominium projects. Although the residential sector plays a major role in our mortgage activities, shopping centres, industrial and commercial complexes as well as office buildings continue to be an important part of our operations.

Over the years, Credit Foncier has gained a reputation as an innovator in its approach to business and has, thanks to knowledgeable personnel, become a strong competitor in the real estate sector. Flexibility in methods of financing are the cornerstone of Credit Foncier's success.



House loan — Prince George, B.C.

During the past year, we introduced the unique concept of irregular terms for mortgage loans in addition to the traditional one to five year periods. This new approach has enabled Credit Foncier to achieve a higher degree of efficiency in the matching of its assets and liabilities. It also allows our clients a greater degree of flexibility in arranging their financing plans as well as offering them particularly attractive rates.



Condominium Townhouses — Ottawa, Ont.



Multiple Residential highrise apartments
Toronto, Ont.

Our investment portfolio includes approximately 95 projects of various kinds located throughout the country. We own residential properties representing more than 1,250 rental units, industrial properties with a total area greater than 3,100,000 square feet, and commercial and office buildings totalling more than 940,000 gross square feet of leasable area. We also have substantial land holdings, including farms under cultivation, rented land and land held for future development.

During the year, we accelerated our efforts to redeploy the real estate portfolio and to establish specialized units for the management and development of income properties; these units are managed independently of our financial intermediary operations. We intend to intensify our efforts in this sector in 1984, as we are aware of the long lead time required before tangible results are reflected in the financial statements.

The Credit Foncier Award

In 1980, Credit Foncier marked the centennial of its founding by creating an annual award for the best building preservation project in the country. This year, the Credit Foncier Award was given to the "Manhattan Apartments," one of Vancouver's oldest apartment buildings. Built in two phases, in 1907 and 1912, the building today comprises 44 residential units and 12,600 square feet of commercial space. It is located on the boundary between the West End and downtown.

Organization and Personnel

1982 was highlighted by major changes in the organizational structure of our branch network. In 1983, above all, our efforts emphasized operations control and support as well as real estate operations.

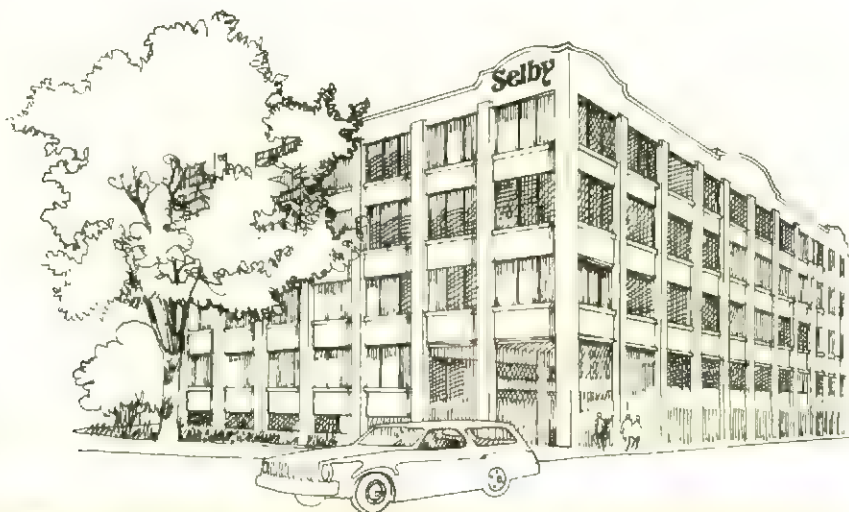
In this context, William M. Reim was appointed Senior Vice-President, Real Estate Development; in this function, he is responsible for the development of our real estate management and investment activities. We were also able to recruit three new Vice-Presidents, each with solid experience: Louis H. Cousineau, Vice-President, Human Resources; Michel Guay, Vice-President, Systems; and Jean C. Pinard, Vice-President, Mortgage Investments.

Based on the results obtained and the progress made during 1983, we embark with confidence on a three-year organizational development program which we prepared towards the end of the year. The success of this program will require from our personnel as great a level of commitment, effort and sustained contribution as was exhibited throughout the year and for which I thank them most sincerely.



Michel M. Lessard

The Selby, London, Ontario
Co-Winner of the 1982 Credit Foncier Award



Real Estate Development



Industrial building — Calgary



Shopping Centre — Vancouver, B.C.



L'Atrium — Office and shopping complex, Quebec City

Credit Foncier has extensive real estate holdings which are mainly income properties held for long term investment.

The investment portfolio includes 95 projects located across Canada, which we manage as well as own. We own residential properties representing more than 1,250 rental units, industrial properties with a total area greater than 3,100,000 square feet, and commercial and office buildings totalling over 940,000 square feet of leasable area.

Another important part of the investment portfolio is our substantial land holdings. These include farms under cultivation, rented land and land held for future development.

We are continuing the process of establishing regional real estate offices in several cities. Managed independently of our financial intermediary operations, they specialize in the management and development of income properties.

We are maintaining our presence in the southeastern United States where we are actively involved with partners in the development of shopping malls and shopping centres.



Industrial building — Montreal

Winner of the 1983



The Manhattan Apartments, Vancouver, British Columbia

Architects: Thompson
and Norman Hotson

Honourab



Le 3492 Durocher, Montreal, Quebec

Architect and
Developer: Mario Biocca



Berkeley Castle,

Architects: A.J. Diamond and
Developer: Berkeley Castle

Credit Foncier Award



Berwick Pratt and Partners
Architects

Developers: Sunco Enterprises Ltd. and the Manhattan Co-operative
Housing Association

e Mentions



Toronto, Ontario
d Partners
Investments Ltd.



Earl Court, Toronto, Ontario
Architect: Peter Turner
Developers: AIM Properties Limited

Credit Foncier Award – 1983



Presentation of plaque to the winners of the 1983 Credit Foncier Award in Vancouver, British Columbia, by Messrs. Garneau and Lessard

The Credit Foncier Award for building preservation was established in 1980 marking the 100th anniversary of the company. The encouragement of Canadians to enhance their culture through the preservation of their historical architectural heritage and the continuance of its use is augmented through a substantial monetary award. The purpose of the \$20,000 award, given each year and equally divided between the developer and architect is to acknowledge the best significant project of building (or group of buildings) rehabilitation undertaken by the private sector and privately funded.

The Winner

The Manhattan Apartments, Vancouver, British Columbia

Built in two phases, one in 1907, the second in 1912, and situated on the boundary between the Downtown and West End districts of the city, the Manhattan was one of the first apartment blocks constructed in Vancouver. Consisting now of 44 residential suites and 12,600 square feet of retail space, the rehabilitation of the Manhattan has demonstrated that with careful and good design, planning and management, it is possible to preserve old buildings while at the same time contributing substantially to the quality of life in an urban environment.

Honourable Mentions

Berkeley Castle, Toronto, Ontario

Built around 1864 as Toronto's first knitting mill, the property on the Esplanade marks the original shoreline of Lake Ontario. The project is a "tour de force" in the skillful handling of a formidable and complex mass of disparate industrial buildings and the creation of very pleasant exterior spaces and interior office and commercial space from what appeared to be a hopeless cause.

Earl Court, Toronto, Ontario

Originally constructed in 1865 as part of the subdivision of the 50 acre Home Wood Estate bounded by Carlton, Jarvis, Bloor and Sherbourne, the large single family residences had deteriorated and had been used as lodging houses. Redevelopment began in 1973 and was finally completed 10 years later after a series of financial and development problems.

The project is a cluster or infill concept of thirteen units, five of which are within the renovated shells of the existing buildings and the remainder in new but traditionally detailed and sympathetic facades, including reuse of brick salvaged from demolition.

Le 3492 Durocher, Montreal, Quebec

Built around 1884 at the corner of Milton and Durocher, several blocks east of the McGill campus, the building later became a rooming house and deteriorated into a bad state of disrepair. The building is now a four-unit condominium transformed at a remarkably modest cost.

The building was selected because of its superbly confident handling of heritage and new elements both in its facades and its interior spaces.



The Corporation

Credit Foncier is one of Canada's leading financial institutions. The Corporation, founded in 1880, has paid a dividend without interruption since 1882. Over the years, Credit Foncier has expanded its activities across Canada by establishing branches in major urban centres.

The principal business of the Corporation is to make mortgage loans and investments for terms of one through five years. Its policy is to match the terms of its assets and liabilities as closely as possible to ensure a stable and profitable spread on its investments.

Corporate Structure

The Corporation conducts business either directly or through its subsidiaries. The activities of certain subsidiaries such as the wholly-owned Credit Foncier Trust and Francana Development Corporation are completely integrated with Credit Foncier, the first performing a trust function and the second maintaining an investment portfolio.

Montreal City and District Trustees, incorporated in 1938, became a wholly-owned subsidiary of Credit Foncier in November 1979. This trust and mortgage loan company operates solely in the Montreal Metropolitan Region. The Company offers mortgages and guaranteed investments as well as fiduciary services including estate planning and management.

Mortgage Lending

Credit Foncier plays an important role in the financing of Canada's real estate development and has grown into one of the country's largest mortgage lenders. By the end of 1983, mortgage loans outstanding amounted to over \$2 billion. These loans are generally granted for terms of five years or less including irregular terms that are not for full years at a rate fixed according to the market or to the cost of funds at the time of disbursement.

They are secured by first mortgages on residential, commercial and industrial properties across Canada. Credit Foncier provides mortgage funds for most types of real estate financing needs. It offers conventional loans as well as loans insured by Canada Mortgage and Housing Corporation or by private mortgage insurance companies. The proportion of insured loans is about 46% of the portfolio.

Savings Operations and Financing

The Corporation secures its funds from the sale of short-term notes, debentures and guaranteed investment certificates as well as registered retirement and home ownership savings plans. These financial services are marketed through the Corporation's own branch network as well as through investment dealers and over two thousand agents. Credit Foncier's savings clientele now comprises over 165,000 individuals, companies and institutions.

Securities Investments

The Corporation works toward diversifying its investments prudently, investing in securities that include short-term investments, bonds, debentures, term loans as well as preferred and common shares. These portfolios account for 20% of its consolidated assets.

Real Estate Investments

Credit Foncier's investment in real estate is an important part of its activities and is aimed at minimizing the effects of inflation on shareholders' equity. Included in its portfolio are apartment buildings, shopping centres, industrial properties and land holdings.



(left)
Le Quartier Petit Champlain,
Quebec City, Quebec
Honourable Mention
1982 Credit Foncier Award



(right)
Confederation Square,
Toronto, Ontario
Honourable Mention
1982 Credit Foncier Award

Consolidated Statement of Earnings

for the year ended October 31

Revenue	1983	1982
Interest	\$ 321 216 000	\$ 315 674 000
Dividends	10 500 000	10 782 000
Real estate operations	22 599 000	18 454 000
Fees and other	4 509 000	3 907 000
	\$ 358 824 000	\$ 348 817 000

Expenditure

Interest	\$ 296 371 000	\$ 304 611 000
Real estate operations (Note 3)	17 660 000	15 519 000
Salaries and staff benefits	17 415 000	15 541 000
Other operating expenses	18 734 000	16 701 000
	\$ 350 180 000	\$ 352 372 000

Income (loss) before income taxes	\$ 8 644 000	(3 555 000)
Income taxes (Note 6)	(789 000)	(8 423 000)

Net operating income	\$ 9 433 000	\$ 4 868 000
Other income (Note 7)	1 222 000	3 475 000

Net earnings for the year	\$ 10 655 000	\$ 8 343 000
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Earnings per share

Net operating income	\$ 10.03	\$ 5.27
Other income	1.30	3.76
Net earnings for the year	\$ 11.33	\$ 9.03

Consolidated Statement of Retained Earnings

for the year ended October 31

	1983	1982
Balance — beginning of the year	\$ 32 820 000	\$ 31 177 000
Net earnings for the year	10 655 000	8 343 000
	\$ 43 475 000	\$ 39 520 000
Dividends	3 985 000	6 700 000
Balance — end of the year	\$ 39 490 000	\$ 32 820 000

Consolidated Balance Sheet

as at October 31

Assets

	1983	1982
Deposits and short-term securities (Note 2)	\$ 266 734 000	\$ 176 116 000
Bonds (Note 2)	167 420 000	157 696 000
Stocks (Note 2)	129 835 000	124 448 000
Mortgages	2 019 404 000	1 926 400 000
Real estate (Note 3)	143 168 000	143 082 000
Other	16 753 000	11 955 000
	\$ 2 743 314 000	\$ 2 539 697 000

Liabilities

Short-term certificates	\$ 526 747 000	\$ 389 692 000
Medium-term certificates	2 036 077 000	1 971 266 000
Mortgages payable by subsidiaries	8 120 000	17 269 000
Other	13 197 000	9 282 000
Deferred income	4 505 000	4 190 000
	\$ 2 588 646 000	\$ 2 391 699 000

Subordinated notes (Note 4)	\$ 30 000 000	\$ 30 000 000
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Shareholders' equity

Capital stock (Note 5)	\$ 20 928 000	\$ 20 928 000
Reserves	64 250 000	64 250 000
Retained earnings	39 490 000	32 820 000
	\$ 124 668 000	\$ 117 998 000
	\$ 2 743 314 000	\$ 2 539 697 000

On behalf of the board
 Raymond Gagneau, Director
 Michel M. Lessard, Director

Auditors' Report to the Shareholders of Credit Foncier

We have examined the consolidated balance sheet of Credit Foncier as at October 31, 1983 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at October 31, 1983 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Samson Bélair
 Chartered Accountants

Clarkson Gordon
 Chartered Accountants

Montreal, Canada, December 8, 1983.

Consolidated Statement of Changes in Financial Position

for the year ended October 31

Sources of funds

	1983	1982
Net earnings for the year	\$ 10 655 000	\$ 8 343 000
Depreciation and other non-cash items	177 000	(5 852 000)
	10 832 000	2 491 000
Other		
Short-term certificates	137 055 000	17 459 000
Medium-term certificates	64 811 000	147 689 000
Other loans	—	33 097 000
Subordinated notes	—	30 000 000
Other liabilities	5 345 000	3 872 000
Capital stock	—	2 000 000
	\$ 218 043 000	\$ 236 608 000

Use of funds

Mortgages	\$ 91 697 000	\$ 177 793 000
Deposits and short-term securities	90 618 000	(64 907 000)
Bonds	9 631 000	62 871 000
Stocks	5 760 000	14 232 000
Real estate	1 583 000	41 909 000
Dividends	3 985 000	6 700 000
Mortgages payable by subsidiaries	9 149 000	341 000
Other assets	5 620 000	(2 331 000)
	\$ 218 043 000	\$ 236 608 000

Notes

to consolidated financial statements
as at October 31, 1983

1. Accounting policies

a) Consolidation

The consolidated financial statements include the accounts of all subsidiaries of Credit Foncier, the most important being Credit Foncier Trust Company, Francana Real Estate Limited, Francana Development Corporation Ltd. and Montreal City and District Trustees Limited.

b) Guaranteed and trust funds

As required by legislation, guaranteed investment certificates issued by the company's trust subsidiaries are treated as guaranteed trust funds and, accordingly, these liabilities and their related assets are accounted for separately from those subsidiaries' own funds. However, for purposes of financial reporting, these assets and liabilities are recorded in the company's consolidated balance sheet.

Assets managed under a trust agreement by the company's trust subsidiaries are not accounted for with those subsidiaries' own funds and are not included in the consolidated balance sheet.

c) Securities

Bonds are stated at their amortized cost plus accrued interest. Stocks are stated at their cost plus earned dividends.

d) Mortgages

Mortgages are carried at cost plus accrued interest less repayments, unamortized discounts and provision for losses. Discounts are amortized over the term of the loan.

A provision for eventual losses is funded through annual charges against earnings. These charges reflect the average net losses realized over the last five years, including the current year, and the review of the arrears by management. Net realized losses are charged against the provision.

e) Real estate

Real estate is carried on the balance sheet at cost less accumulated depreciation, except that no depreciation is taken on properties held for resale.

The depreciation of real estate acquired since 1973 is calculated using the sinking fund method to amortize the cost over 40 years at the rate of 5% per annum. Properties acquired before 1973 are depreciated on a straight-line basis at the rate of 2 1/4% per annum.

Profit on the disposal of real estate is realized on the basis of the cash collected; the balance is carried as "Deferred income".

f) Income taxes

The company follows the tax allocation method of accounting for income taxes. The company accounts for income taxes recoverable against future years' taxes in the year the loss for income tax purposes occurs. Management is virtually certain that this benefit will be realized.

g) Translation of foreign currencies

Foreign exchange accounts are converted to Canadian dollars at the rate prevailing as at the date of the balance sheet or as determined by forward exchange contracts.

h) Earnings per share

Earnings per share are calculated on the average daily number of shares outstanding during the year.

i) Transactions between affiliated companies

Operations between affiliated companies are made at conditions equivalent to those made between non-affiliates.

2. Deposits and securities

The market value of deposits, short-term securities, bonds and stocks was \$586 087 000 as at October 31, 1983 and \$469 284 000 as at October 31, 1982.

3. Real estate

Expenses from real estate operations include depreciation of \$1 224 000 in 1983 against \$1 205 000 in 1982, bringing total accumulated depreciation to \$12 752 000 in 1983 compared to \$11 998 000 in 1982.

4. Subordinated notes

The subordinated notes bear interest at the rate of 17 1/4% per annum payable annually and mature April 30, 1989. These subordinated notes may be included in the capital base for purposes of determining the maximum amount of debt that the company may have outstanding.

5. Capital stock

Authorized

1 272 000 common shares without par value

Issued and fully paid:	1983	1982
940 203 common shares	\$ 20 928 000	\$ 20 928 000

6. Income taxes

This item in the consolidated statement of earnings is comprised of the following:

	1983	1982
Current income taxes	\$ 97 000	\$ (113 000)
Deferred income taxes	(570 000)	(5 677 000)
Recoverable from future years' taxes	(316 000)	(2 633 000)
	\$ (789 000)	\$ (8 423 000)

Taxes recoverable of \$3 276 000 are carried on the balance sheet as "Other assets." Of this total, \$2 995 000 originating from operations are recoverable at any time up to October 31, 1987 as to the first \$1 470 000 and up to October 31, 1990 as to the remaining \$1 525 000. The \$281 000 balance in this account results from capital losses on disposal of certain assets and does not carry any time limits as to its recovery.

7. Other income

This item is comprised of net gains realized on disposal of certain assets outside the normal course of business, as follows:

	1983	1982
Securities	\$ (580 000)	\$ (509 000)
Real estate	1 066 000	5 022 000
	486 000	4 513 000
Income taxes on above	(736 000)	1 038 000
	\$ 1 222 000	\$ 3 475 000

8. Comparative figures

Certain 1982 accounts have been reclassified to conform with the financial statement presentation for 1983.

Ten-Year Financial Summary

PRINCIPAL BALANCE SHEET ITEMS (\$'000)

	1983	1982	1981	1980
Total assets	2 743 314	2 539 697	2 344 539	1 960 938
Mortgages	2 019 404	1 926 400	1 746 125	1 516 100
Real estate	143 168	143 082	107 050	147 276
Deposits and securities	563 989	458 260	445 563	285 923
Short- and medium-term certificates	2 562 824	2 360 958	2 195 810	1 803 366
Shareholders' equity	124 668	117 998	114 355	110 408

RESULTS FOR THE PERIOD (\$'000)

Revenue

Interest	321 216	315 674	251 394	184 999
Dividends	10 500	10 782	8 083	5 040
Real estate operations	22 599	18 454	16 741	18 203
Fees and other	4 509	3 907	3 643	3 602
	358 824	348 817	279 861	211 844

Expenditure

Interest	296 371	304 611	235 785	167 569
Real estate operations	17 660	15 519	13 887	15 993
Salaries and staff benefits	17 415	15 541	13 019	11 080
Other operating expenses	18 734	16 701	13 846	11 527
	350 180	352 372	276 537	206 169

Income (loss) before income taxes

Income (loss) before income taxes	8 644	(3 555)	3 324	5 675
Income taxes	(789)	(8 423)	(4 432)	(2 033)

Net operating income

Net operating income	9 433	4 868	7 756	7 708
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Other income	1 222	3 475	4 890	5 277
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Net earnings for the year

Net earnings for the year	10 655	8 343	12 646	12 985
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PER SHARE

Net operating income	\$ 10.03	\$ 5.27	\$ 8.39	\$ 8.34
Net earnings for the year	11.33	9.03	13.68	14.05
Dividend	4.24	7.25	9.41	7.25
Shareholders' equity	132.60	125.50	123.76	119.49
Number of shares outstanding	940 203	940 203	923 983	923 983

*Note: This period comprises the 10 months ended October 31, 1979

Note *	Twelve months ended December 31,				
	1979	1978	1977	1976	1975
	1 514 625	1 295 083	1 113 783	969 777	812 076
	1 184 956	1 045 334	931 479	805 744	693 143
	128 336	123 299	108 097	101 078	69 232
	190 133	119 756	68 615	57 519	45 910
	1 373 535	1 151 203	982 122	859 676	710 366
	96 551	94 772	87 426	81 085	75 581

	107 278	113 007	98 003	80 270	65 741
	2 720	2 618	1 629	1 096	1 114
	13 155	12 583	10 908	10 374	8 553
	570	709	728	530	431
	123 723	128 917	111 268	92 270	75 839

	92 388	92 648	77 261	62 263	51 413
	12 031	12 233	9 543	7 397	4 240
	5 985	6 218	4 788	3 865	2 999
	6 765	6 749	6 224	5 048	4 973
	117 169	117 848	97 816	78 573	63 625

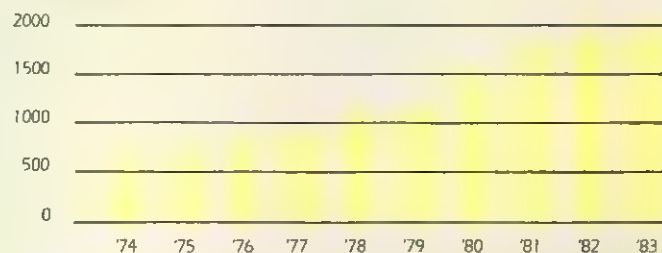
	6 554	11 069	13 452	13 697	12 214
	684	3 159	5 078	5 645	5 446

	5 870	7 910	8 374	8 052	6 768
	2 547	3 422	1 916	1 013	9 377

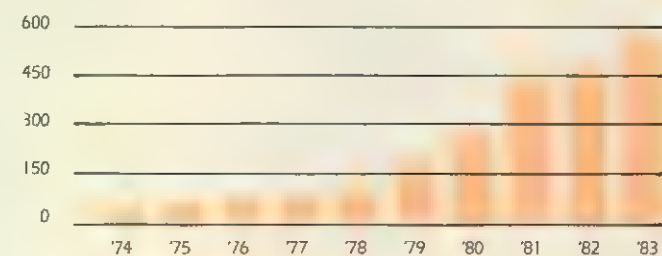
	8 417	11 332	10 290	9 065	16 145
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\$ 6.75	\$ 9.09	\$ 9.67	\$ 9.30	\$ 7.83	\$ 5.59
9.68	13.03	11.88	10.47	18.69	6.52
7.25	4.57	4.57	4.32	4.00	4.00
110.99	108.94	100.96	93.68	87.49	73.08
869 909	869 909	865 960	865 549	863 876	861 844

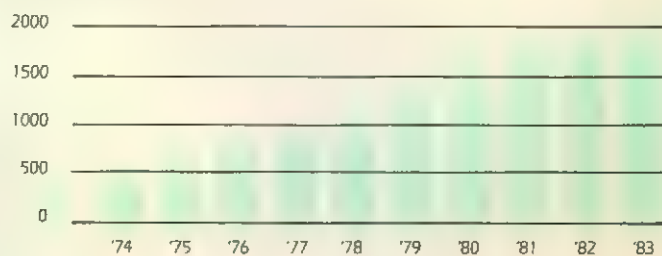
Mortgages (in millions of \$)



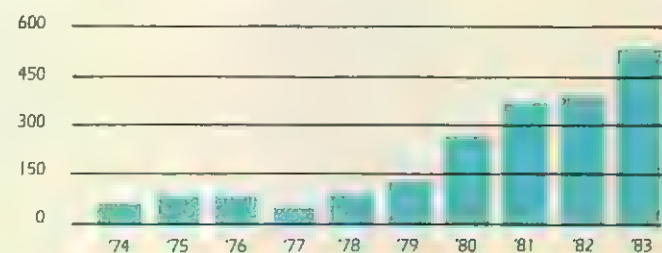
Deposits and securities (in millions of \$)



Medium-term certificates (in millions of \$)



Short-term certificates (in millions of \$)



Board of Directors



Michel M. Lessard



Jacques Barbeau



Jean-Marie Poitras

Raymond Garneau



Claude Castonguay



Paul H. Leman



Pierre H. Lessard



John N. Turner



Michel M. Lessard

Pierre Goyette



J. Louis Lebel



(above) Réjean Gagné

(left) Dr. Claude Bertrand



Philippe Roberge

Credit Foncier has long been active in Western Canada with its first branches in British Columbia and Alberta having been established since 1893 and 1905 respectively. However, this year marks the first time that our Directors have travelled as a Board to Western Canada. The occasion underscored the presence on the Board of Mr. J. Louis Lebel of Calgary and Mr. Jacques Barbeau of Vancouver. The visit was highlighted by several receptions for members of the business communities of both cities at which the photographs on these pages were taken.

Raymond Garneau ▲
Chairman of the Board and Chief Executive Officer
The Montreal City and District Savings Bank

Claude Castonguay, C.C. ▲ ■
Vice-Chairman of the Board
President and Chief Executive Officer,
The Laurentian Group Corporation

Michel M. Lessard ▲
President and Chief Operating Officer

Jacques Barbeau
Partner
Barbeau, McKercher, Collingwood & Hanna
Vancouver

Dr. Claude Bertrand ●
Emeritus Professor of Neurosurgery,
University of Montreal

Réjean Gagné ▲ ■
President and Chief Executive Officer,
Alfred Lambert Inc.

Pierre Goyette ▲
President and Chief Operating Officer,
The Montreal City and District Savings Bank

J. Louis Lebel
President and Director
Dome Canada Limited

Paul H. Leman ▲ ■
Company Director

Pierre H. Lessard ▲ ●
President and Chief Operating Officer,
Provigo Inc.

Jean-Marie Poitras ▲
Chairman of the Board,
The Laurentian Group Corporation

Philippe Roberge ●
Partner,
Tees, Watson, Poitevin, Javet & Roberge

John N. Turner, P.C., Q.C.
Partner,
McMillan, Binch

- ▲ Member, Executive Committee
- Member, Audit Committee
- Member, Remuneration Committee



Raymond Garneau

Corporate Management

Chairman of the Board and Chief Executive Officer

Raymond Garneau

President and Chief Operating Officer

Michel M. Lessard

Senior Vice-Presidents

Robert Panet-Raymond
Branch Operations

William M. Reim
Real Estate Development

Vice-Presidents

Louis H. Cousineau
Human Resources

Jacques David
Treasurer

Pierre de Feydeau
Real Estate

C. Ross Gledhill
Investments

Michel Guay
Systems

Christopher D. Hyde
Marketing

Robert Limoges
Control

Jean C. Pinard
Mortgage Investments

Assistant Vice-President

André Dambrine
Economist

Department Managers

Claire Bellemare
Savings and Mortgage Operations

Claude Bolduc
Data Processing and Systems

Raymond F. Colligan
Compensation

Ray de Montigny
Accounting

Laurent Gingras
Internal Audit

Pierre Girardin
Office Services

Yvon Grant
Marketing Planning and Development

Louis-Alexandre Rail
Legal and Assistant Secretary

Claude Richard
Real Estate Accounting

Gérard Rose
Tax

Robert Widdicombe
Mortgage Underwriting

Management - Real Estate Development

William M. Reim
Senior Vice-President

Rony N. Kattan
Vice-President, Real Estate Investments — Eastern Region

Romain Gauthier
Manager, Quebec City

John B. Sides
Manager, Montreal

Branch Management

Regional Management

Robert Panet-Raymond
Senior Vice-President, Branch Operations

Marcel G. Bergevin
Vice-President, British Columbia

Ernest J. Castelane
Vice-President, Prairies

Arvid W. Fonkalsrud
Vice-President, Ontario

Branches

British Columbia Region

Vancouver

Gerard V. McKenna

Victoria

Alan E. Swan

Vernon

Glen Johnstone

Prince George

John Grant

White Rock

Henk Roodbol

Ontario Region

Toronto Main Branch

Arvid W. Fonkalsrud

Toronto Savings Branch

Robert McMillan

Ottawa

Gary R. Graham

London

Bary McCorkindale

Kitchener

Stephen Cafik

Prairies Region

Calgary

Anders J. Anderssen

Edmonton

Albert C. Bond

Regina

Elmer L. Hart

Saskatoon

Douglas Banzet

Winnipeg

John R. McDougall

Quebec and Atlantic Region

Montreal Mortgage Branch

Kenneth A.W. Gordon

Montreal Savings Branch

Richard Fabre

Quebec City

Jean-Pierre Paradis

Halifax

David Langill

St. John's, Nfld.

Raymond F. Fisher

